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ALLOWABLE EX PARTE BRIEFING - DOCKET NO. 2009-190-E:

PROGRESS ENERGY CAROLINAS, LLC - Experimental Residential Prepay
Pilot Program

TRANSCRIPT OF TESTIMONY
AND PROCEEDINGS

COMMISSIONERS PRESENT: John E. 'Butch' HOWARD, *CHAIRMAN*,
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APPEARANCES:

LEN ANTHONY, ESQUIRE, along with **CHRIS EDGE**
[Director/Retail Strategy and Emerging Technology],
GREG CAGLE [PEC]: [Sr. Regulatory Affairs Analyst]
and **CYNTHIA LUHRS [PEC]**: [Sr. Product Developer],
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JEFFREY M. NELSON, ESQUIRE, representing THE
OFFICE OF REGULATORY STAFF

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

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Please note the following inclusions/attachments to the record:

- PowerPoint presentation [PDF]
- Application/Program Approval Request regarding subject issue(s) [Docket 2009-190-E]

P R O C E E D I N G S

CHAIRMAN HOWARD: Please be seated. Good morning and welcome to this briefing. At this time, I'll ask Attorney Dulin if she will read the docket.

MS. DULIN: Thank you, Mr. Chairman and Commissioners. We are here today pursuant to a request for an allowable ex parte briefing that was filed by Progress Energy Carolinas, LLC, to be held today, March 21st, at 10:30 a.m., here in the Commission's meeting room. The subject matter to be discussed at the briefing is: the Experimental Prepay Pilot Program.

Thank you, Mr. Chairman.

CHAIRMAN HOWARD: Thank you. Mr. Anthony.

MR. ANTHONY: Good morning, Chairman, members of the Commission. Thank you for having us here today to talk about our Prepay Pilot. We're real excited about it. We did this a few years back before the technology had progressed to where it is, and this provides us a lot of additional opportunities, as well as for the customers.

So we'll kick it off. We have here with us today -- starting on my left, your right -- Greg Cagle, and he's a senior regulatory analyst;

1 Cynthia Luhrs, our senior product developer; and
2 Chris Edge, director, Retail Strategy & Emerging
3 Technologies. And I think Chris will kick it off
4 and then turn it over to Greg and Cynthia. Thank
5 you.

6 **CHRIS EDGE [PEC]:** Thank you, Mr. Chairman,
7 and thank you all for your time here today. As Mr.
8 Anthony alluded to, we are very excited about this
9 concept. And just to give you a little historical
10 reference as to how we got to where we are, really
11 a lot of this is an impetus around a lot of our
12 focus studies over the past year and a half or two
13 years, as we have looked at the smart grid and
14 smart grid technology, and we've been doing various
15 types of research relative to customer needs and
16 attitudes, and trying to marry those two, look at
17 opportunities for intersecting these new promises
18 of technology relative to the value that can be
19 created around the customer.

20 And what kept circling to the top was the
21 concept of prepay, so we've been investing quite a
22 bit of time and effort towards developing a pilot
23 concept which we want to use towards fleshing out
24 some additional research.

25 And at this time, I'm going to hand it over to

1 Ms. Luhrs, who has really been spearheading all of
2 our efforts on program development activity and
3 will have the majority of the context of this
4 discussion, so we look forward to the dialogue.

5 [Reference: PowerPoint Slide 1]

6 **CYNTHIA LUHRS [PEC]:** Good morning. I'd like
7 to talk about our Prepay Pilot Program, and to
8 start out with a brief overview of what "prepay"
9 is.

10 [Reference: PowerPoint Slide 2]

11 Many of you have probably heard of prepay in
12 the context of a prepaid cell phone, prepaid gift
13 cards that many folks use, that have become very
14 mainstream. And prepaid power is simply to pay-as-
15 you-go for electric service. So it's very similar
16 to all those mechanisms, and customers tend to
17 describe prepay in other areas where it's being
18 used as very easy, very convenient, very flexible.
19 They relate it to their energy savings. There are
20 very high customer satisfaction scores from other
21 folks we've talked to -- a couple here in South
22 Carolina from Horry and Black River, as well, that
23 have spoken to us and told us that their customer
24 satisfaction rates on prepay are up into the 80 and
25 90 percentile ranges. So customers, once they go

1 on it, it really helps them eliminate what can be
2 sometimes considered a surprise at the end of the
3 month on their bill, so instead of waiting four
4 weeks for the bill to come out, another couple of
5 weeks to mail it, so six weeks later a customer
6 receives a bill and sometimes has a difficult time
7 relating what they did in that previous month to
8 what that amount comes out to be. And with prepay,
9 customers can see on a daily basis what their usage
10 is, and that is in dollars and in kWh, so they can
11 really start to correlate what they're doing and
12 how they are using energy to that daily amount that
13 they see. So we really liken it to it's very much
14 a lifestyle choice for the customer, helps them
15 budget and use energy the way that they want to use
16 it that's convenient for them.

17 Prepay also uses a number of education and
18 awareness tools to help the customer understand how
19 their usage really does relate to those dollars and
20 kWh. So things like that knowing your laundry, if
21 you're using that on cold -- all the various energy
22 saving tips that can be out there to customers, it
23 helps them start to understand them. We've heard
24 many customers start to say that they related
25 exactly to know -- on a day-to-day basis, they know

1 what they pay for power, which some of our
2 traditional customers may not understand on a daily
3 basis what they pay for power.

4 [Reference: PowerPoint Slide 3]

5 There are many benefits that we see to a
6 prepay program. And I mentioned the top one,
7 giving customers the power over their own destiny.
8 So it's really their lifestyle choice. They choose
9 really how to pay and when to pay. There are a
10 variety of mechanisms on how they can pay and when
11 -- anything from your cash and credit card payments
12 -- and in the amounts that you want to pay. And I
13 liken that to sort of the gas analogy where you may
14 be at the gas pump filling up your car, and you may
15 see the person next to you only putting in \$5 or
16 so, at a time. Prepay is a very similar concept.
17 You can choose to set up a reoccurring amount that
18 just bills every month, that you put in a certain
19 amount every month, to all the way down to the
20 customer who wants to go and make a payment every
21 couple of days. That is a choice that the customer
22 makes on how they want to pay and when.

23 Of course, so there are no deposits required,
24 no late fees, no disconnect or reconnect fees, on
25 Prepay, since you are paying as you go for the

1 service.

2 It's a very easy way for all of us in today's
3 economy to stay on budget and to think about that,
4 and again it equates that real-time information
5 about your use, your energy usage, to your dollars,
6 to you. And I'll talk to you and show you some
7 examples of how customers can see that data for
8 them on a daily basis.

9 [Reference: PowerPoint Slide 4]

10 Len alluded to a little bit of the background,
11 that back in 2001 there was a very small pilot in
12 the Wilmington, North Carolina, area, with 137
13 customers. And technology has changed so
14 significantly, that Chris alluded to, that it
15 really is very feasible to have a prepay pilot out
16 there. Things have changed so much, with the
17 advent of smart phones being available to so many
18 folks, text messaging, so many ways for customers
19 to receive information.

20 There are many programs or pilots that are
21 launching this year, from a lot of other IOUs, and
22 I have a few up here that I have shown. And I
23 talked a little bit, briefly, about Horry and Black
24 River, and they have current prepay programs that
25 are running that are very successful. They started

1 out very small, and word-of-mouth has really taken
2 those and carried those forward to customers. Very
3 high satisfaction on those.

4 Some of the things that they've talked about
5 that are ramping along with what we're looking at
6 is that once customers go on prepay, they tend to
7 stay on it, so we call that a very sticky type of
8 program. Customers love prepay. Once they go on
9 it, they don't usually want to go off. And once
10 they understand how prepay works -- it is a little
11 different way of thinking -- then they don't
12 typically even call afterwards. They really self-
13 manage their own usage for that.

14 We've heard that there are anywhere -- from
15 folks who we just talked to -- anywhere from 10 to
16 15 percent of energy savings that come through a
17 prepay program, and that's something we'll be
18 looking to learn through our Prepay Pilot that
19 we'll be going through.

20 [Reference: PowerPoint Slide 5]

21 Some of the objectives that we're looking to
22 study for Prepay, of course, are to understand the
23 energy savings related to Prepay, to be able to
24 measure those, to validate those, to really
25 understand what's driving customers, what motivates

1 them to participate in the Prepay, what they like
2 about it, what resonates with those customers. We
3 are looking at customer behavior, what things do
4 they change to achieve some energy efficiency, and
5 how they like preferences. And I alluded to this a
6 little bit before, but in Prepay the customer
7 decides how they want to be communicated to. So
8 there are many choices.

9 There is an in-home display device that the
10 customer plugs into an outlet, and that will show
11 them their daily usage in dollars and kWh, and they
12 will also receive messages through that. And there
13 will be a limited number of those deployed, and
14 we'll learn from those, do customers really value
15 those in-home displays.

16 What we've heard from other folks that we've
17 talked to is that the smart phone is really the way
18 that people receive information. And so customers
19 may also have their smart phones, and receive text
20 messaging or e-mails and learn about their balance
21 that way, as well. So the customer can choose one
22 of those methods; they can choose many of those
23 methods. There's a text message that can go out,
24 an e-mail message, an automated phone call if you
25 don't have access to those. And if you're a

1 customer that doesn't have access to the Internet
2 or a smart phone, then the in-home display device
3 would be a mechanism for those customers to receive
4 information.

5 And then for payment channels for customers,
6 there are a number of ways that customers may pay,
7 as well. That may pay in person at a cash
8 location, and MoneyGram is a vendor we are using.
9 They're in all Wal-Marts, all CVSs. If you're in
10 one of those, if you'll notice at the desk where
11 there's a red phone at the pharmacy desk that has a
12 MoneyGram sign, you'll start to notice those now
13 when you're out and about. Customers can pay that
14 way. They can also pay online through a customer
15 Web-facing portal that I'll show a shot of a little
16 bit later in the presentation. And they can choose
17 to set up a reoccurring payment through the
18 website, as well. If they want to have it
19 triggered by when they reach a certain balance, or
20 to a day's threshold, I'll talk a little bit more
21 about that; they can choose that mechanism as well.

22 [Reference: PowerPoint Slide 6]

23 And how does Prepay work? I started to get
24 into a little bit of this, but the customer -- what
25 we will do is, there's various ZIP Codes that we're

1 looking at. The customer will go and make -- once
2 they've decided they would like to participate in
3 Prepay -- they will make an initial payment that is
4 equal to three days of power that is based on that
5 customer's usage, and they will select their method
6 of communication which I just spoke to a moment
7 ago.

8 After that, the prepay meter will be installed
9 at the customer's home. It looks very similar to
10 another meter. The only difference the customer
11 can see is there is a black button on the front
12 that we're not utilizing; it doesn't do anything.
13 Otherwise, the customer cannot tell the difference
14 between the meter.

15 The meter will then be read on a daily basis.
16 The meters are read at midnight, and then every day
17 at 10 a.m. the notices are delivered. Once the
18 customer reaches ten days of power, they'll start
19 receiving those daily messages telling them what
20 their balance is, and those will continue on ten
21 days to count down to zero. It gives them their
22 dollar balance, of course their kWh, and the number
23 of days of power remaining. That amount
24 recalculates every day, based on your individual
25 usage. So, I know we are very much past January,

1 but if you were on Prepay and had a Super Bowl
2 party at your house, then your usage, instead of
3 having seven days of power left after the Super
4 Bowl party, you might go to five days of power,
5 depending on your activities. On the inverse of
6 that, if you had gone away for a weekend, then you
7 may have had more power. So you'll start receiving
8 those daily alerts when you hit a ten-day
9 threshold. And each customer will receive those in
10 their designated method of the way they want to be
11 communicated to.

12 Once that happens, when the customer receives
13 their daily alerts, they can choose when they want
14 to recharge that account. So they have a choice of
15 -- of course, at any time they can recharge it, but
16 if they want to wait until the ten-day alerts start
17 coming out, they can choose anytime during those
18 alerts as they are counting down on your days of
19 power. The customer chooses their method that they
20 want to recharge and how much they want to
21 recharge. We ask for -- that they recharge with
22 two days of power. And if they do not recharge,
23 then once the account balance hits zero, that next
24 day when it is read, when they receive their notice
25 at 10 a.m., then that disconnection would happen

1 remotely and automatically. So there's basically a
2 friendly credit period between midnight and 10 a.m.
3 because we're reading the meter at midnight and
4 then providing those notices daily at 10 a.m.

5 [Reference: PowerPoint Slide 7]

6 Some of the various eligibility requirements
7 for customers: This pilot is open to new and
8 existing customers. We ask that the customer be on
9 our standard residential rate and have a 200 amp
10 meter base. We're looking overall through our
11 territory for up to 1,000 customers. Within the
12 Florence area, we've picked a couple of ZIP Codes,
13 and we'd like to have 250 customers in that area,
14 and the remaining customers in the North Carolina
15 area.

16 The ZIP Codes that we looked at have a large
17 variety of different customer segmentation types,
18 so that we can help to understand and learn,
19 through the pilot, who is interested in Prepay,
20 who's coming to participate, and why. Then as I
21 mentioned, the in-home display, there will be a
22 total of 250 in-home display devices available, and
23 it will be based on the customers that don't have
24 access to one of the other mechanisms of
25 communication, that want to participate in Prepay,

1 would have access to an in-home display device.

2 There are a few other eligibility requirements
3 that we've listed in our filing, that talk about
4 not being on our nonregulated products and
5 services, and some other items like that for the
6 pilot, to keep the integration simple for a pilot.

7 [Reference: PowerPoint Slide 8]

8 At this point we'd like to talk about some of
9 the service rule waivers that we're requesting, and
10 I'd like to turn this over to Greg.

11 **GREG CAGLE [PEC]:** Thank you, Mr. Chairman and
12 Commissioners. Obviously, a program that is as
13 technologically and philosophically different as
14 this one is requires some adaptation of existing
15 Commission Rules that all relate really to the
16 after-the-fact billing with meter reading we're all
17 used to. Most of these, I think, are going to be a
18 fairly self-explanatory description of this.

19 Rule 103-321, of course, relates to meter
20 reading, and we won't be doing meter reading
21 anymore. -339 -- well, -336 refers to deposit
22 retention, and as Cynthia pointed out, there really
23 will be no deposit to retain, refund, whatever.
24 -339 relates to customer billing, and there are
25 several sections here, but basically the recurring

1 theme is that since we are not rendering a paper
2 bill as we have in the past, many of the sections
3 and subsections in 103-339 are no longer
4 applicable.

5 -352 is procedures for termination of service,
6 and here again, the termination of service is
7 really basically up to the customer paying their
8 Prepay billing, so these sections would not pertain
9 either.

10 We can go into this in greater detail, if you
11 like, but I think that, you know, this is basically
12 it.

13 **CHAIRMAN HOWARD:** We'll probably take that
14 opportunity when questions come. If we have a
15 question on a specific citation, we'll do it then,
16 if you want to continue.

17 **GREG CAGLE [PEC]:** Okay.

18 **CHAIRMAN HOWARD:** Thank you.

19 **GREG CAGLE [PEC]:** Thank you.

20 [Reference: PowerPoint Slide 9]

21 **CYNTHIA LUHRS [PEC]:** I'd like to bring you
22 now to some of our estimated program costs. Chris
23 alluded to the DOE funding, and that is through
24 April 2013, and it's approximately -- overall, for
25 the program -- \$3.3 million. And then we're also

1 requesting this to run through the end of December
2 2014, and that would be another \$650,000 for the
3 program, to allow us time to keep customers on
4 Prepay that are enjoying the program and the pilot,
5 to help them stay on it while we would be looking
6 at the program from the pilot.

7 [Reference: PowerPoint Slide 10]

8 This is a screenshot and it is a test system
9 -- so it's not real data of a current customer, but
10 it is test data -- that shows what the customer who
11 accesses the online customer portal would see. And
12 basically it's broken into a couple of sections
13 that I'd just like to point out.

14 On the upper left-hand side, you can see that
15 it shows you that your account status is active,
16 and it then gives you what your balance is, what
17 your last payment amount was, and the active
18 payment arrangement line there is for an arrearage.
19 And we are allowing customers with approximately
20 one month's arrears to go on Prepay, and then what
21 will happen in that scenario is each time the
22 customer makes a payment, 25 percent of that
23 payment would be applied toward their arrears
24 balance. And it's very similar, again, with things
25 that Horry and Black River and other folks are

1 doing. They're doing about 30 percent on their
2 arrears. So that helps the customer pay down that
3 balance and still participate in the Prepay Pilot.

4 It, of course, shows the customer's address
5 and tells them that their meter is active. And
6 then it also tells them on there -- the account
7 overview section on the left, towards the bottom,
8 shows the customer the days remaining; it shows
9 them their dollars remaining; and then their
10 average usage, both in dollars and kWh. And it
11 shows, again, a visual representation -- for folks
12 that like a visual representation, it shows them a
13 graph.

14 There will also be a screen that we're
15 currently under development on, that the customer
16 can dig into. If they'd like to see their usage
17 through the daily amounts, they'll be able to see
18 hourly information for each previous day. They can
19 see each hour's usage.

20 It will be interesting to see. Part of what
21 we will learn and track under our Web statistics
22 will be how many customers access that information,
23 as we've heard from others that many customers
24 never leave -- pass this account overview summary
25 screen.

1 The customers that don't have access to the
2 website will receive, as I mentioned, the similar
3 information through their in-home display device or
4 through a text message or an e-mail, that tells
5 them their days remaining. Each time they make a
6 payment, they will receive a message telling them
7 we received your payment, how much it was, and it
8 resets that counter. It gives them all that
9 information.

10 The customer will also receive information
11 that they get today, such as our notices and bill
12 inserts, through these same preferred ways. If
13 they are an in-home display customer, they will be
14 mailed that information if they don't have access
15 to another type to receive it.

16 And finally, that's all that I have.

17 [Reference: PowerPoint Slide 11]

18 **CHAIRMAN HOWARD:** Commissioners? Commissioner
19 Fleming.

20 **COMMISSIONER FLEMING:** Mr. Chairman

21 **CHAIRMAN HOWARD:** Commissioner Fleming.

22 **COMMISSIONER FLEMING:** I just would like to go
23 back to Mr. Cagle. I'd like to hear a little bit
24 more about the termination program, especially -- I
25 guess I'm thinking in terms of elderly or sick

1 people. I know some of those regulations were put
2 in for their safety and health concerns.

3 **GREG CAGLE [PEC]:** All right. I can speak to
4 the waivers. Do you -- was there anything else
5 that needed to be said about the actual
6 disconnections?

7 **CYNTHIA LUHRS [PEC]:** I --

8 **COMMISSIONER FLEMING:** I just felt like that
9 was lacking in the presentations.

10 **GREG CAGLE [PEC]:** Sure. Okay.

11 **CYNTHIA LUHRS [PEC]:** Commissioner, if I may
12 speak to the eligibility, there are certain types
13 of customers that we call SST codes. Folks that
14 are on those medical devices, that have some of
15 those life-threatening issues, are not eligible to
16 participate in the Prepay Pilot --

17 **COMMISSIONER FLEMING:** Okay.

18 **CYNTHIA LUHRS [PEC]:** -- for this, because of
19 those types of items. So we did exclude those
20 customers from participating.

21 **COMMISSIONER FLEMING:** Okay, thank you.

22 **GREG CAGLE [PEC]:** Perhaps it would help to go
23 through the sections and subsections of 103-352
24 that we're asking for a waiver of?

25 **COMMISSIONER FLEMING:** Well, I guess it would

1 be -- [indicating].

2 **CHAIRMAN HOWARD:** You can continue, Mr. Cagle.

3 **GREG CAGLE [PEC]:** Okay. Well, 103-352, of
4 course, is the procedures for termination of
5 service. We are asking for a waiver of Subsection
6 (a) in its entirety. This subsection addresses
7 written notice of termination, and it requires a
8 written notice not less than ten days prior to
9 termination of service. Of course, that will not
10 be applicable in this case.

11 I mentioned Subsection (b), which requires
12 reasonable efforts by telephone or in person to
13 contact customers who are subject to disconnection.
14 And again, this is -- it just doesn't work this way
15 with prepaid metering.

16 **COMMISSIONER FLEMING:** You have other methods
17 of --

18 **GREG CAGLE [PEC]:** Yeah. Subsection (c) of
19 103-352 requires utilities to provide for
20 arrangement of a deferred payment plan. And here,
21 because they are paying in advance, there really is
22 no deferred payment plan, as such.

23 There is a Subsection (d) which says "...or to
24 make arrangements for the satisfaction of the
25 balance of his account through a deferred payment

1 plan," and again, the same thing is applicable
2 there; there is no deferred payment plan, so this
3 would not be applicable.

4 Subsection (e) of this Rule requires utilities
5 to maintain a record of all deferred payment plans,
6 so again, there won't be any deferred payment plans
7 relative to this Pilot Program.

8 And please remember that these rule waivers
9 all apply simply to the Pilot Program that we're
10 requesting today, not to other customers.

11 Subsection (f) of this Rule requires utilities
12 to provide a copy of termination notice to a third
13 party, and at least for purposes of the pilot, we
14 are not using any third-party notification.

15 **CYNTHIA LUHRS [PEC]:** [Nodding head.]

16 **COMMISSIONER FLEMING:** And I think that was in
17 reference to my concern.

18 **GREG CAGLE [PEC]:** Okay. Shall I go further
19 with the subsections?

20 **COMMISSIONER FLEMING:** Well, unless the other
21 Commissioners are interested, I think my main
22 concern has been addressed, and I --

23 **GREG CAGLE [PEC]:** Okay.

24 **COMMISSIONER FLEMING:** So I think the
25 termination -- the other things just seem to be

1 modified for the program.

2 **GREG CAGLE [PEC]:** Okay.

3 **CHAIRMAN HOWARD:** Commissioner Wright.

4 **VICE CHAIRMAN WRIGHT:** Thank you, Mr.

5 Chairman. Good morning. All right. Let me ask an
6 obvious question: \$3.3 million, 1,000 people. It
7 sounds like a lot of money. That's like \$3,300, I
8 guess, a household. Isn't that right?

9 **CHRIS EDGE [PEC]:** Your math is correct, if
10 you normalize it by household. And it is -- based
11 -- one of the advantages that Progress Energy
12 doesn't have at this point in time is an AMI
13 infrastructure to where we could do a lot. So the
14 whole premise and the backbone of this program is
15 built upon the success of an AMI infrastructure, so
16 we are in essence having to build out a temporary
17 AMI infrastructure, which is going to require some
18 specialized equipment, as well as there's mainframe
19 infrastructure systems that are associated with not
20 only the receipt and collection of payments but as
21 well as the notifications that we've mentioned to
22 you, and the various forms of notification. In
23 addition, it's a pretty intense research project,
24 as well, so there's a fair amount of EM&V.

25 What I would caution the Commission on, and as

1 well as ourselves, is that that price point and the
2 normalization that you've mentioned, this couldn't
3 be replicated on that order of magnitude as a full-
4 service offering. So the intent is that, if we
5 have verified that, in fact, the savings are true
6 and some of the hypotheses that we're testing
7 actually did come to fruition, then if we looked at
8 it on a full-scale deployment basis, then we would
9 have to make certain provisions to ensure those
10 replicated costs wouldn't occur.

11 Just to make a certain note, we are -- aside
12 from this and coincident from this -- Progress
13 Energy is looking at a limited AMI deployment
14 that's also sponsored by some of the DOE funds.
15 I'm not here prepared to talk about that, but the
16 idea conceptually would be, if we matched up and
17 validated some of the assumptions and we see the
18 level of customer satisfaction and we see the level
19 of energy savings that we are anticipating, that
20 perhaps what we do at that point is we would
21 leverage the targeted AMI infrastructure that I
22 suggested, that we're building out. So maybe, in
23 an oversimplified manner, all we're looking at on a
24 forward-looking basis is just that incremental cost
25 for the meter to that next participant beyond that.

1 Your math is correct, though.

2 **VICE CHAIRMAN WRIGHT:** An advantage that I see
3 with this -- and I associate this with the co-op
4 programs that I've read about and have heard about.
5 They seem to be, initially, more targeted at
6 delinquents -- delinquent accounts. You get a
7 meter in the home, you get payment up front, you're
8 doing away with the collection issue, and which
9 it's got to benefit the utility. Is that part of
10 your research on this, too? Are you looking at
11 that?

12 **CHRIS EDGE [PEC]:** Yes. We anticipate being
13 in a position so that we can capture and understand
14 the full operational benefits, as well, to the
15 utility, and the minimization of those delinquent
16 accounts, as well. I would suggest that that's not
17 the rational -- I mean -- that's not the rationale,
18 as to why we've deployed it. You know, stepping
19 back again, looking back at the enablement --

20 **VICE CHAIRMAN WRIGHT:** Sure.

21 **CHRIS EDGE [PEC]:** -- of the technology and
22 looking at the opportunity of the customers.

23 And if you -- as well, you might be interested
24 in looking at some of the ZIP Codes and the areas
25 we identified. Those communities not only had we

1 recognized through some of our market research,
2 their specific nature and relative to participating
3 in other prepay programs, but those are also some
4 pretty diverse areas relative to the transient
5 population. We've got some large military bases;
6 we've got all makes and kinds of customers, so we
7 think there's a lot of applicability.

8 But again, back to answering your question,
9 yes, we fully intend to capture and understand not
10 only those energy saving benefits, but also those
11 operational savings benefits that you mentioned, as
12 well.

13 **VICE CHAIRMAN WRIGHT:** Yeah. Well, that just
14 seems -- that just looks like low-hanging fruit --

15 **CHRIS EDGE [PEC]:** Absolutely.

16 **VICE CHAIRMAN WRIGHT:** -- out there.

17 **CHRIS EDGE [PEC]:** There's that lack of
18 rolling trucks that were associated with connects
19 and reconnects, disconnects. As Greg -- Mr. Cagle
20 -- alluded to, we're not mailing bills, so we've
21 got bill savings associated with postage and having
22 a physical bill.

23 **VICE CHAIRMAN WRIGHT:** Right.

24 **CHRIS EDGE [PEC]:** So we understand and
25 anticipate there could be some very promising

operational benefits, as well.

VICE CHAIRMAN WRIGHT: All right. Well, speaking about mailing the bills and stuff like that, I'm not sure that I picked up in your presentation whether or not the -- I wonder, are there any processing fees associated with this to the accountholder.

CYNTHIA LUHRS [PEC]: Yes, there are fees associated with the program. For cash, it's through the vendor and they charge \$1.99, which is a little bit higher than our current pay station model charges. And then for credit card payments/debit card payments, there's a \$1 fee associated with those for the customers making payments.

VICE CHAIRMAN WRIGHT: Are they able to pay by check?

CYNTHIA LUHRS [PEC]: We have not accepted check for the pilot, and the reason why is, in the time a customer mails a check and it gets to us and we process it, they may have already run through their power. Part of what we've heard from other folks is that customers tend to recharge when they get down to the last couple of days of power, and if they're mailing in a check at that point, it may

1 take much longer to clear, and so we are
2 discouraging customers from paying by check for
3 that reason.

4 **VICE CHAIRMAN WRIGHT:** So you can't do that
5 over the telephone, using your account numbers, or
6 anything?

7 **CYNTHIA LUHRS [PEC]:** Not for the pilot. For
8 a program that is a component --

9 **VICE CHAIRMAN WRIGHT:** All right.

10 **CYNTHIA LUHRS [PEC]:** -- that would be
11 considered and integrated.

12 **VICE CHAIRMAN WRIGHT:** Well, but you're
13 mailing the bills to them, right?

14 **CYNTHIA LUHRS [PEC]:** We are not mailing them
15 bills; they are actually receiving, electronically,
16 the information once they hit the ten-day
17 threshold, whether it's e-mail or text or online or
18 they're getting a phone call. So there's no longer
19 any mailed statement or bill to those customers.

20 **VICE CHAIRMAN WRIGHT:** So you're not eligible
21 for the program in the pilot unless you've got some
22 type of technology available to you, right?

23 **CYNTHIA LUHRS [PEC]:** Or you can accept an in-
24 home display device --

25 **VICE CHAIRMAN WRIGHT:** That has to --

1 **CYNTHIA LUHRS [PEC]:** -- that you can plug-in,
2 that would also --

3 **VICE CHAIRMAN WRIGHT:** Okay. That --

4 **CYNTHIA LUHRS [PEC]:** -- push these messages
5 to you.

6 **VICE CHAIRMAN WRIGHT:** The message would come
7 through the box, okay.

8 **CYNTHIA LUHRS [PEC]:** Yes.

9 **VICE CHAIRMAN WRIGHT:** Okay. I gotcha. Okay,
10 thank you. That's all.

11 **CHAIRMAN HOWARD:** Commissioner Hamilton.

12 **COMMISSIONER HAMILTON:** Thank you, very much,
13 Mr. Chairman. Mr. Edge, in your answer to
14 Commissioner Wright, you said "temporary AMI."
15 What do you mean by "temporary"? Is it going to be
16 obsolete when you start?

17 **CHRIS EDGE [PEC]:** Well, it's a -- I should
18 probably -- it would be best described, it's an
19 interim metering solution that's specific to this
20 pilot. So, again, the 1,000 participants in this
21 pilot will be leveraging a metering infrastructure
22 that will be specific to this pilot, and we have no
23 plans at this point to establish that beyond the
24 pilot.

25 And so we're -- because, again, we lack a full

1 AMI infrastructure on a holistic basis within our
2 system, and really not getting into details, but
3 this full communications infrastructure that's very
4 common within the industry right now, that's
5 looking at things like mesh network or powerline
6 carrier for accessing the two-way infrastructure
7 between the meters. What we're proposing for the
8 pilot is, so that we can accommodate the two-way
9 infrastructure, we'll use a cellular-based
10 technology that connects that meter back to the
11 head-end system, and we anticipate at the end of
12 the pilot, we would not replicate that particular
13 technology solution beyond the pilot. So that's
14 what I meant by "temporary."

15 We would anticipate that if we move -- again,
16 because I maybe haven't fully answered your
17 question -- if we move beyond the pilot into a
18 full-scale program, we would likely leverage a
19 solution that we're working on alternative to this,
20 which builds a mesh network solution that would
21 provide that two-way AMI capability. It just so
22 happened these are moving along coincident paths to
23 one another, not sequential paths.

24 **COMMISSIONER HAMILTON:** Yeah, I would just
25 like to feel reassured that the benefits to the

1 ratepayer would last beyond the period of the
2 grant. And I believe you've got some expenses on
3 the end, \$650K that I assume you'll come back and
4 ask for that in your next rate case.

5 **CHRIS EDGE [PEC]:** Well, yes, there are some
6 funds that we've identified beyond the DOE funds,
7 that we would be soliciting, and in fact, we would
8 ask to -- rather than the rate case, our
9 anticipation at this point is to put it within the
10 Energy Efficiency Cost Recovery Rider. And we
11 would be soliciting those through the rider. And
12 we very well do believe that, aside from -- the
13 technology is not useful beyond the pilot. The
14 information that we gather, the research that we
15 gather would be, you know, extremely beneficial,
16 and that would be in the interest of the ratepayer,
17 particularly because it provides the level of
18 insights to offer this program on a very large-
19 scale basis.

20 **COMMISSIONER HAMILTON:** I must have a mental
21 block. I'm having trouble understanding spending
22 \$4 million on a temporary basis. And so far, you
23 haven't reassured me that it's going to be that
24 beneficial. Because you've been done there before
25 and it's gone now. You went to Wilmington, you did

1 137 or -- how many -- was it 137 households? And
2 then you dropped it?

3 **CHRIS EDGE [PEC]:** Yes. And I wasn't a member
4 of the company nor was I, obviously, then a direct
5 participant within that, but we did conduct a
6 pilot, and maybe we can establish a little bit more
7 about what that pilot looked like, and -- and
8 really it stems around technology again. And at
9 that point, the technology solution for offering
10 this to customers was -- there was no wireless
11 infrastructure back-and-forth. In fact, the means
12 by which information is transferred from the meter
13 back to these pay stations was by means of a
14 physical plastic card about the size of a credit
15 card. So there was a fair amount of incumbrment
16 to the customer under those circumstances in which,
17 if they decided to recharge their meter, that they
18 would have to take this card out, physically, drive
19 it up the street to an available pay station
20 location, and then, you know, reload it, and along
21 with that would come any transfer of rate changes
22 or what have you, and then you come back home and
23 plug it in. So there was a fair amount of physical
24 requirements and incumberments that, for reasons
25 that were made thereon, were decided to not move

1 forward. So what's changed now is this value to
2 the customer that's enabled by technology, and
3 that's exactly what we're trying to validate.
4 Before we spend a larger amount of money than the
5 \$4 million that's already been described, we need
6 to reassure ourselves that, you know -- again, the
7 hypotheses are now -- we really are able to enable
8 customers, if we were to leverage this
9 infrastructure, to make it a much better customer
10 experience and perhaps even drive deeper energy
11 savings, and that would be -- you know, now, from
12 the customer no longer having to pass this physical
13 card, they might have their phone -- we call it a
14 smart phone, although we had -- you know, what is a
15 smart phone? Because Mr. Cagle over here still has
16 one that flips upside-down.

17 [Laughter]

18 But in this instance, his flip phone would
19 still be considered smart, because he can receive
20 text messages. But that aside, you know, in this
21 instance he doesn't have to make that transfer. If
22 he's at Wal-Mart and makes a new payment on his
23 MoneyGram, then there's a whole different value of
24 experience to the customer that he's got a text
25 message by the time he gets back to his car and

1 it's an immediate reaction, and the availability in
2 the portal of information that's available through
3 the Internet that we've talked about far exceeds
4 that that we saw 10 or 11 years ago.

5 I think we've challenged ourself as to whether
6 we go ahead and jump in the deep end of the pool,
7 because we have still some fair amount of
8 uncertainty around, you know, whether those savings
9 are really what we see and understand from other
10 utilities that have deployed that, and whether this
11 value of technology -- because this could be a
12 very, very expensive solution if we're not careful.
13 Therefore, the construct we felt was more
14 reasonable was to pursue the pilot. It aligned
15 with what we had -- what was projected and was
16 outlined relative to the stimulus funds, and we
17 thought it was a very opportunistic time to take
18 advantage of those funds, rather than putting the
19 full \$4 million burden on the backs of ratepayers,
20 with those uncertainties, and so that's the reason
21 we've approached it the way we have.

22 **COMMISSIONER HAMILTON:** But you did design it
23 that there's absolutely no risk to the company, is
24 there?

25 **CHRIS EDGE [PEC]:** Well, I think that there's

1 -- anytime we come up with costs through the rider,
2 they're subject to the risk and scrutiny of the
3 Commission as relative to the prudence of those
4 costs.

5 **COMMISSIONER HAMILTON:** But the power --
6 there's no loss of -- the power you generate,
7 you'll be paid for 100 percent of it, won't you?

8 **CHRIS EDGE [PEC]:** I'm sorry, I don't
9 understand the question.

10 **COMMISSIONER HAMILTON:** I said, they'll -- if
11 they don't pay, on the Prepay, when they use that
12 power, they don't get anymore, so, no grace period.

13 **CHRIS EDGE [PEC]:** That's -- there is no grace
14 period, yeah, that's the whole concept of the
15 program. It is a pay-as-you-go program. That's
16 correct.

17 **COMMISSIONER HAMILTON:** Okay. What class of
18 customers, what section, are you actually piloting
19 in the program?

20 **CHRIS EDGE [PEC]:** Well, it's to the
21 residential class of customers. We've made no --
22 aside from the eligibility requirements, which Ms.
23 Luhrs reviewed, we've identified these broad ZIP
24 Codes within these five regions that she's
25 demonstrated, and there are no other limitations

1 aside from the fact that, again, to keep the
2 integration simple, we are requesting customers not
3 be on any of the nonregulated programs or those
4 that make the billing a little more difficult. But
5 it's not targeted towards any specific subclass of
6 the residential class. It would be available to
7 all residential customers, and so it would be
8 available to -- we would presume that customers who
9 had a technology interest would be interested in
10 this program. We presume that customers that are
11 energy savings conscious would be applicable. I
12 can think of instances that college kids in
13 situations that have a parent paying, a military
14 type family, people who are struggling on their
15 bill, it could be an applicable program. So we
16 think it has perhaps a very, very wide means of
17 eligibility and, you know, and that's part of what
18 we're trying to test and understand is what range
19 of applicability would it have.

20 **COMMISSIONER HAMILTON:** I can see a great
21 value to new customers that have to put up two
22 months' deposit on the previous person's rent --
23 or, usage, on rental property. I imagine you'll
24 have 100 percent of those, in those ZIP Codes;
25 they'll line up.

1 One other question. Ms. Luhrs, I was looking
2 at your chart, and on page two of the application
3 you stated that total program costs for the year
4 2013 shows Progress Energy general funds of
5 \$223,000? But on page 11, you've got \$324,000.
6 Which one of them is correct on that?

7 **CYNTHIA LUHRS [PEC]:** That's from our filing,
8 correct, that you're looking at?

9 **COMMISSIONER HAMILTON:** Uh-huh.

10 **CYNTHIA LUHRS [PEC]:** Pardon me. Just one
11 moment, please.

12 **GREG CAGLE [PEC]:** [Indicating.]

13 **CYNTHIA LUHRS [PEC]:** [Indicating.]

14 **COMMISSIONER HAMILTON:** It's on page two of
15 the application.

16 **CYNTHIA LUHRS [PEC]:** Okay. I see the 223.
17 One moment while I get to the other page you
18 referenced.

19 **COMMISSIONER HAMILTON:** Page 11.

20 **CYNTHIA LUHRS [PEC]:** And may I make sure I'm
21 referencing the same table as you? Are you looking
22 at the communications cost table?

23 **COMMISSIONER HAMILTON:** This [indicating] is
24 what I'm looking at. It's the Estimated Lost
25 Energy Sales, "Refer to..." -- Cost and Benefits,

1 Program O&M Cost Projection by Type. It's page 11-
2 of-26. Under Progress Energy's general funds,
3 you've got 324 on page 11, and on page two it's got
4 223.

5 CYNTHIA LUHRS [PEC]: [Indicating.] And I
6 apologize, Commissioner. I'm trying to get to --
7 make sure I'm on the right page. I see the 223
8 line across, under general funds, on 2013. Is that
9 the line you're referencing?

10 COMMISSIONER HAMILTON: Okay, I'm on 2013 on
11 page 11. You've got 221 on Program Administration,
12 3 under Communications, 100 under the EM&V, and 324
13 under Total.

14 CYNTHIA LUHRS [PEC]: I am looking at our
15 draft, and I apologize, I don't seem to have the
16 same exact table right in front of me to reference
17 back to, so what I'm looking at seems to have the
18 same number. I'll have to go back and validate and
19 look at that copy. I apologize.

20 COMMISSIONER HAMILTON: Okay, that's fine. If
21 you want this sheet to look at it, you're welcome
22 to it.

23 MS. MINGES: [Indicating.]

24 CYNTHIA LUHRS [PEC]: [Indicating.]

25 [Pause]

1 **CHRIS EDGE [PEC]:** Commissioner, I think that
2 we have, apparently, not a current draft of what
3 was actually filed, and therefore I think we're
4 going to probably need to go back and address that
5 question, and answer it. I apologize. But in
6 looking at the table, it's -- I can't at this time
7 reconcile the 223 and the 324 for the purposes of
8 describing the --

9 **CYNTHIA LUHRS [PEC]:** We -- I believe -- we do
10 need to get back to you. I see on this version --
11 I think, looking at this other table here -- some
12 costs and some different numbers between when we
13 firmed up and we filed. I believe that we do need
14 to go back and double-check.

15 **COMMISSIONER HAMILTON:** Okay. Thank you.

16 **CYNTHIA LUHRS [PEC]:** Thank you for showing
17 that to us.

18 **CHAIRMAN HOWARD:** Commissioners? Commissioner
19 Whitfield.

20 **COMMISSIONER WHITFIELD:** Thank you, Mr.
21 Chairman. I guess this could be probably for you,
22 Mr. Edge, or any of the three of you. You had a
23 little bit of an exchange with Commissioner Wright
24 about benefits to the company from collections and
25 billing, with the potential waiver of these

1 regulations, and you acknowledged those with him a
2 little bit ago. I guess the other regulation deals
3 with meter reading, and with no more meter reading,
4 what, do you estimate some more benefits or savings
5 to the company there? Or not much? Or where do
6 you see that going? I see Ms. Luhrs -- if you want
7 to answer that.

8 **CHRIS EDGE [PEC]:** We certainly would expect,
9 in a full-scale program, that those as well would
10 be incorporated in the operational benefits,
11 because now you've eliminated any connect/reconnect
12 issues. You know, as far as meter reading itself,
13 as you're probably aware, for the majority of our
14 residential class customers we now use a drive-by
15 solution for meter reading, so that may be very
16 different than a utility that was looking at still
17 a manually read meter --

18 **COMMISSIONER WHITFIELD:** Right.

19 **CHRIS EDGE [PEC]:** -- and then therefore
20 looking at an AMI infrastructure. However, the
21 meter reading costs that we presume that very well
22 could be established would be -- it's not so much
23 the reading as much as it is the connect/disconnect
24 charges. Am I correct?

25 **CYNTHIA LUHRS [PEC]:** Commissioner, Mr. Edge

1 is correct. The only other item we would see and
2 capture would be in the case of the
3 disconnect/reconnect; there would no longer be a
4 truck having to go out to perform that service to
5 the customer, since it would now happen remotely,
6 and we would be tracking those as well through this
7 pilot.

8 **COMMISSIONER WHITFIELD:** Okay. Also, Ms.
9 Luhrs, in your part, you talked about some of the
10 Pilot Program objectives, and one of the things you
11 mentioned you wanted to examine, the -- one of the
12 things you would be doing is examining customer
13 behavior. And I realize you're only going to have
14 a pool of 1,000 customers here. But on the flip
15 side of that, as you examine that behavior, what do
16 you think -- what do you all anticipate the company
17 would see in managing its load forecasting? With
18 these customers, of course, being able to see, as
19 you mentioned, what days, even, they have heavy
20 use, and times they have heavy use, what do you
21 anticipate from the company side, your demand
22 results?

23 **CYNTHIA LUHRS [PEC]:** I do believe -- and I'll
24 ask Mr. Edge to jump in here with me, as well, but
25 what we have heard from others and in our

1 Wilmington pilot we had heard that there was about
2 10 to 15 percent energy savings, and that is what
3 we will be seeking to validate through this, based
4 on customers learning about their daily usage and
5 then managing that usage is typically where those
6 savings tend to come from. So that is something
7 we'll try to validate and understand is how do
8 those happen, based on some of our EM&V activities
9 that will take place throughout this pilot to help
10 us understand what contributed, what factors, what
11 behaviors contributed to those energy savings.

12 **CHRIS EDGE [PEC]:** And just to add to that,
13 how and when. So an important aspect is, what
14 contributions are there to coincident peak, more --

15 **COMMISSIONER WHITFIELD:** Well, that's really
16 more --

17 **CHRIS EDGE [PEC]:** -- seasonal and --

18 **COMMISSIONER WHITFIELD:** -- where I'm going.

19 **CHRIS EDGE [PEC]:** Right. And based on the
20 availability of interval data, we'll have that, so
21 we'll be able to see any type of seasonal
22 fluctuations, and make certain presumptions. For
23 example, if we're seeing the energy savings that
24 are coming from a summer peaking type contribution,
25 then we might very well assume that some of the

1 behavior that's driving there is a set-back in
2 temperature, versus if we saw some of the energy
3 savings that are occurring at night in the middle
4 of the fall, and then we'd have to make other
5 presumptions about what type of actions have been
6 taken.

7 So we'll have the interval access and then
8 there will be a certain amount of -- a fair amount
9 of reviews and surveys with participants, as well,
10 so we'll get some indication from participants,
11 "Are you making any type of investments beyond
12 behavior," that would include type of measures,
13 improvements, and the efficiency of the equipment,
14 to try to establish. We'll have a pretty good
15 grasp of the concept as to what the 8,760-hour load
16 profile would be, associated with the energy
17 savings.

18 **COMMISSIONER WHITFIELD:** And that's really --
19 that coincident peak is really --

20 **CHRIS EDGE [PEC]:** It drives the resource
21 plan.

22 **COMMISSIONER WHITFIELD:** Right, that's where I
23 was going with that. You may have answered this
24 question and, you know, I missed it, but you were
25 having a little bit of an exchange with

1 Commissioner Fleming about disconnection and
2 procedures of termination, and of course, with
3 these four different sets of regulations that you
4 would need or are requesting to be waived. I guess
5 my more specific question to you is, with the
6 customers, are they being explained to or are they
7 being asked to sign some type of waiver to
8 participate in this Pilot Program? Are they being
9 explained -- is it being explained clearly to them
10 that these regulations would be waived, and is that
11 clearly laid out for them? Are they signing
12 anything when they sign on, or do you know?

13 CYNTHIA LUHRS [PEC]: We're not having the
14 customers sign an actual waiver to participate in
15 the Pilot Program. We are, when we send out our
16 direct-mail marketing explaining the program, the
17 customer will have to call in to participate, so
18 that we can have that time to speak with the
19 customer -- to your point -- about the various
20 changes that they are used to seeing on their
21 current environment that would be different in a
22 Prepay environment. To your point such as no more
23 mailed bills, that the disconnects happen daily at
24 10 a.m., that their reconnects can happen anytime
25 when they make their payments. So we will be

1 explaining all of those differences to the
2 customers.

3 We are in the process of developing some
4 materials that are in development now for the
5 customer call representatives, to explain those
6 important pieces to the customer, and we'll be
7 asking them to -- whether it's a checklist or what
8 other -- to be determined -- type of collateral to
9 work on with the customer, to help them understand
10 all the differences.

11 **COMMISSIONER WHITFIELD:** And, I mean, if
12 they're calling in to do that, is there some type
13 of checklist, if you will, even if it be
14 electronically or -- by virtue of their call-in,
15 realizing that they're not going to have the same
16 rules they've operated under?

17 **CYNTHIA LUHRS [PEC]:** It will be -- whether
18 it's a checklist or some type of a form, to your
19 point, we are currently still in development on.
20 The idea is that, once explained to the customer,
21 the customer service representative would sign
22 that, and then the customer would receive some type
23 of welcome kit, that is also currently under
24 development to send out to the customer, that would
25 contain those Rules and Regulations on the back of

1 the card explaining the program details.

2 **COMMISSIONER WHITFIELD:** Okay, thank you.

3 Thank you, Mr. Chairman.

4 **CHAIRMAN HOWARD:** Commissioners? Commissioner
5 Hall.

6 **COMMISSIONER HALL:** Thank you, sir. Ms.
7 Luhrs, you've indicated the other IOUs that have
8 already participated. Can you indicate some of
9 their success stories and some of their lessons
10 maybe they've learned from their programs? It's
11 kind of easier to be second than to be first, so
12 I'm just interested to know what you may have
13 learned from them.

14 **CYNTHIA LUHRS [PEC]:** The Salt River Project,
15 who has what they call M-Power, is probably one of
16 the biggest and well-known programs in the country,
17 and they have about 10 percent of their residential
18 base on prepay. And this is mostly through
19 research that we've done where we've heard this
20 from talking with folks: They have a 90 percent, I
21 believe, customer satisfaction rate on that
22 program. Their technology is a little bit more
23 outdated than what we are currently looking at;
24 they still have some cards that you plug into your
25 meter, similar to what Mr. Edge explained.

1 Some of the other IOUs that are looking at
2 prepays to start this year, are looking at very
3 similar models to the one that we are looking for
4 Progress Energy, and most of those are kicking off
5 this year, as well, so I don't have much data on
6 some of those other ones, as well.

7 What we also have tends to come from many of
8 the EMCs, and I've talked to some of those in North
9 Carolina and South Carolina. And they have talked
10 about some of their lessons learned are that there
11 can be heavy call volume in the beginning, while
12 customers learn about the program. And then once
13 those customers understand it and become self-
14 sufficient, typically, these EMCs are seeing the
15 calls drop off to almost negligible calls once the
16 customer becomes self-sufficient. Both of the
17 South Carolina folks that I talked to didn't have
18 any analytical studies, but they had said they were
19 projecting about 10 percent less energy that was
20 being used by those customers.

21 They talked about that the highest times that
22 they're seeing customers recharge their accounts
23 are on Friday afternoons, typically I guess for
24 customers who get paid weekly. And then Horry,
25 they also talked about that on Monday, they also

1 see a very high recharge rate.

2 Both of those South Carolina EMCs have talked
3 about they take payments at their local offices,
4 which is a little different than we do. We don't
5 take payments at our offices. So they're open
6 business hours only, for those; and that's
7 reflected in their disconnects, that they
8 disconnect some at 8:30 a.m. daily, the other at 10
9 a.m. daily, but no weekends or holidays since they
10 don't have office staff there and available to make
11 a payment, where, in the Progress Energy model for
12 Prepay, those customers can go online at any time,
13 they can do this through the Web, through their
14 smart phone if they have that access, they can go
15 to the MoneyGram location at any time to make that
16 payment. So that's why ours is daily, regardless
17 of holidays or weekends.

18 So those are some things we've learned. We've
19 also learned that -- in Horry, they told us that as
20 high as 70 percent of their customers are not
21 disconnected, once they're on prepay. They do have
22 a reconnect fee, which is different from the
23 Progress Energy model; we do not have any reconnect
24 fee. And that may be a contributing factor; that,
25 they couldn't answer to me.

1 So some of the lessons learned tend to revolve
2 around call volume in the beginning, education in
3 the beginning, and then they look at -- as I think
4 one of the Commissioners pointed out some of the
5 payment-challenged customers, both of those EMCs do
6 look at that as a viable market to go after on
7 there. Does that answer the question?

8 **COMMISSIONER HALL:** Okay. And I'm sorry, so
9 you said you can pay on the Internet.

10 **CYNTHIA LUHRS [PEC]:** Yes, ma'am.

11 **COMMISSIONER HALL:** You can pay at Wal-Mart,
12 at the InstaGram. Those are the two ways you can
13 pay?

14 **CYNTHIA LUHRS [PEC]:** You can also -- you can
15 call and make a payment, as well.

16 **COMMISSIONER HALL:** By phone --

17 **CYNTHIA LUHRS [PEC]:** Yes, by phone.

18 **COMMISSIONER HALL:** -- and that will
19 automatically re-up you.

20 **CYNTHIA LUHRS [PEC]:** Yes, and you can set up
21 the reoccurring payment online, as well.

22 **COMMISSIONER HALL:** Okay, automatically.

23 **CYNTHIA LUHRS [PEC]:** Yes, ma'am.

24 **COMMISSIONER HALL:** Okay. And I'm sorry, I
25 know Commissioner Wright asked you -- you said you

1 can't draft it from your account or make an
2 automatic payment via your account.

3 **CYNTHIA LUHRS [PEC]:** You cannot for the
4 pilot.

5 **COMMISSIONER HALL:** Okay.

6 **CYNTHIA LUHRS [PEC]:** That's correct.

7 **COMMISSIONER HALL:** Okay, but that's a
8 thought, perhaps?

9 **CYNTHIA LUHRS [PEC]:** It is a thought, and the
10 idea for why we are not allowing that for the pilot
11 is really to keep the integration simple, and
12 handling some of those different ways to keep it
13 simple. For a program, it would potentially
14 envision accepting all those traditional types of
15 payment. But for the pilot, in keeping the
16 integration more simple instead of integrating that
17 into the back end and those delays with the checks
18 coming through, instead of integrating that piece
19 in, we just try to keep it more simple.

20 **COMMISSIONER HALL:** Okay. Thank you.

21 **CHAIRMAN HOWARD:** Commissioner Mitchell.

22 **COMMISSIONER MITCHELL:** Thank you, Mr.
23 Chairman. On page 12 of the application, you spoke
24 there are about participation incentives, and also
25 was added to that that there is no financial

incentives that were offered.

CYNTHIA LUHRS [PEC]: Right.

COMMISSIONER MITCHELL: And you talk about 250 in-home display devices. How many of those are in South Carolina, or can you tell me?

CYNTHIA LUHRS [PEC]: Ideally, we would split them out between the territories, so approximately up to 50. However, if we do not deploy the other 200 within the North Carolina area, then more could go to South Carolina. We wanted to really see, based on the customers that would request it, and deploy them on sort of the first-come, first-served basis.

COMMISSIONER MITCHELL: So as of now, you don't know how many it's going to be going to.

CYNTHIA LUHRS [PEC]: I do not. We're estimating 50, but I do not know how many will go.

COMMISSIONER MITCHELL: Wouldn't it be -- since you have the two states, wouldn't it be -- when you distribute and figure them out from income generated, shouldn't it all be determined that South Carolina should get a certain percentage of any kind of devices? But yet, you don't know how many you're going to -- you're going to do 50 -- you're saying that South Carolina, by the

1 participation in South Carolina, should deserve 50
2 out of the 250 devices? Is that what you're
3 telling me?

4 **CYNTHIA LUHRS [PEC]:** And that was based on
5 estimating to get 250 customers in South Carolina
6 out of the 1,000, so then taking 50 of those for
7 in-home devices was the way that we just modeled it
8 out for this program.

9 **COMMISSIONER MITCHELL:** Of the 750_[sic]
10 participants needed, do they have to pay, or need
11 to buy a device, or purchase a display?

12 **CYNTHIA LUHRS [PEC]:** They do not pay for it.
13 If the customer doesn't have another means of
14 communication, we will provide that device at no
15 cost to the customer.

16 **COMMISSIONER MITCHELL:** Okay. Page seven of
17 your application states that reconnects are
18 expected to occur within two hours of payment. Are
19 you very confident that two hours would be a
20 maximum wait time for any individual? Do you have
21 any stat's on that, once somebody has been -- their
22 power has been severed? Do you have stat's saying
23 within two hours that they pay, that y'all
24 reconnect?

25 **CYNTHIA LUHRS [PEC]:** We do not currently have

1 stat's on customers reconnecting. We have
2 information that the meter vendor has talked to us
3 about, that typically the reconnect -- to Mr.
4 Edge's point, when a customer walks -- and I'll use
5 the cash example -- walks into a MoneyGram and
6 makes a payment, they'll receive a text message, if
7 that's their method of communication, telling them
8 we received their payment. Normally by the time
9 they get back home, their power is already back on.
10 So we have been told that the time is actually much
11 shorter. We had to set a two-hour window to set an
12 expectation with the customers, to ensure that we
13 felt that was -- that we had enough time, if there
14 was a problem and a manual reconnect signal had to
15 be resent or some other issue might come. But what
16 we have typically heard is that it happens within 5
17 to 15 minutes.

18 **COMMISSIONER MITCHELL:** Five to 15 minutes?

19 **CYNTHIA LUHRS [PEC]:** Yes, Commissioner.

20 **COMMISSIONER MITCHELL:** Good. I like that
21 answer better than you gave me on the 250 awhile
22 ago.

23 [Laughter]

24 But how long -- and I want to go back to that
25 one more time. Sometimes it just doesn't sink in

1 real good with me. You have an experiment where
2 you went 50 per 1,000 customers. Is that what you
3 were telling me? That that might be the way you
4 derived the number that would be participating in
5 South Carolina?

6 CHRIS EDGE [PEC]: Maybe I'll take a stab at
7 this.

8 COMMISSIONER MITCHELL: Yeah, do that.

9 CHRIS EDGE [PEC]: I think what we intended in
10 describing the areas, that we're estimating up to
11 about 250 customers out of the 1,000 will be in
12 South Carolina. We can think of a reasonably
13 proportionate manner of those displays would be
14 deployed in South Carolina, as well. So it's not
15 exactly 50 of 250. My math is not good here today,
16 but it's a quarter of the 250 in South Carolina.

17 COMMISSIONER MITCHELL: I understand.

18 CHRIS EDGE [PEC]: That's what we would
19 target; our intention is to target --

20 COMMISSIONER MITCHELL: Gotcha.

21 CHRIS EDGE [PEC]: -- roughly a quarter within
22 South Carolina, of all active participation within
23 the --

24 COMMISSIONER MITCHELL: That's all I wanted to
25 hear. Thank you. Thank you, Mr. Chairman.

1 **CHAIRMAN HOWARD:** Commissioner Fleming.

2 **COMMISSIONER FLEMING:** Well, first of all,
3 this is very interesting. With modern technology,
4 it's really interesting to see where all of this is
5 going. One of our staff members, Mr. Riley, and
6 myself -- well, he was comparing it to Starbucks,
7 and since we're both addicted to Starbucks, we
8 could see a very similar use to this, going on the
9 Internet to find the balance and all.

10 I wanted to ask, though, there seems -- I'm
11 not getting a clear picture as to whether you're
12 going after maybe low-income or at-risk customers,
13 or is it more of a conservation/energy efficiency?
14 Which one is kind of the target, with the other
15 being a good benefit? Or is it neither, or both?

16 **CHRIS EDGE [PEC]:** The construct of which we
17 are soliciting participation, it really isn't
18 constrained to either/or. We're really laying out
19 -- if we flip back to page two, the construct of
20 our recruitment will be in around those customer
21 benefits that we articulated. So we think it could
22 have a very wide range of appeal to both income-
23 challenged households, because of the flexibility
24 in terms of payment, the fact that it might not
25 require -- that it doesn't require a deposit, the

1 fact that there's no disconnect or reconnect fees.
2 Those, I very well could see appealing to an
3 income-challenged type household, particularly when
4 we look at the proportion of the energy bill to the
5 household income. As well as, we intend to -- so
6 when we're describing customers and we're talking
7 about this within the brochures that will be
8 generated in targeting customers, we intend to list
9 this level of benefits.

10 [Reference: PowerPoint Slide 3]

11 We also intend to make it very, very clear
12 about the availability of information and that
13 granularity of information that give people that
14 control and that ability to better manage their
15 energy usage. So we think it, as well, has a lot
16 of appeal.

17 I'd be in full admittance we're really, you
18 know, using this pilot to try to better understand
19 and establish where could this type of activity
20 resonate within our general residential population.
21 We think that it could have a very, very wide
22 appeal to residences for a variety of manners. So
23 it will be interesting as we recruit this 1,000, if
24 we see one sort of outweigh the other, and both on
25 a recruitment basis and then we reflect on it two

1 years later to really get an idea of what
2 customers' views are and what appeal it has at that
3 point, as well.

4 **COMMISSIONER FLEMING:** And where does the
5 conservation and energy efficiency come in?

6 **CHRIS EDGE [PEC]:** The energy is by providing
7 that convenience, that control, that level of
8 information, that that customer, rather than having
9 to wait -- I don't know how many weeks it takes us;
10 from the time of our 30-day billing period to when
11 they actually receive a bill and pay it, or
12 actually open it and pay it, you could be looking
13 at a six-week lag, potentially, estimated six-week
14 leg, from the date that they first utilized that
15 energy -- we're now providing tools and the
16 availability of information where customers would
17 know, you know, the day of, how much they consumed.
18 And quite frankly, we're going to be presenting it
19 in a manner which I think is a lot more customer
20 friendly. How many dollars of energy do I consume?
21 Not how many kilowatts do I consume, but maybe
22 speak more in the venue of customers. So --

23 **COMMISSIONER FLEMING:** But you're going to
24 really try to educate and market to that --

25 **CHRIS EDGE [PEC]:** Absolutely. This --

1 COMMISSIONER FLEMING: Okay.

2 CHRIS EDGE [PEC]: -- gives --

3 COMMISSIONER FLEMING: I just couldn't see --

4 CHRIS EDGE [PEC]: -- the, you know, ability
5 of the --

6 COMMISSIONER FLEMING: -- where the priority
7 was.

8 CHRIS EDGE [PEC]: This gives you, the
9 customer, that power over the electric bill, that
10 convenience, that control. I think you'll see, you
11 know, those items really attempted to resonate with
12 consumers.

13 As I sit back and reflect on this program as
14 the many years I've had a chance to talk with this
15 Commission, you know, if you really -- the Salt
16 River Project that Ms. Luhrs alluded to that's
17 measured 12 percent energy savings, I can't think
18 of another program holistically that would target
19 and establish a 12 percent energy savings, out of
20 all the many programs that we've brought before
21 this Commission, out of all the many that I see
22 across the forums that I go to, and the workshops,
23 and the seminars. On a household usage basis, a 12
24 percent average in energy reduction, I don't even
25 see a close second place, much less one that

1 wouldn't require a participant cost for
2 involvement. So I think this has a real
3 opportunity, relative to driving some significant
4 energy.

5 It won't be for everyone. We also recognize
6 that there is no one residential customer that's
7 the same. We can break into class, and we can
8 break them into different classes beyond that, and
9 not one is the same. But we think it potentially
10 plays a very vital, you know, position within our
11 future portfolios. Energy efficiency will be a
12 very well-positioned construct in communicating to
13 customers not only from the purposes of why they'd
14 want to participate, but I think educating them
15 along the way as to how much they're saving,
16 compared to where they were.

17 **COMMISSIONER FLEMING:** And how does this
18 compare to the Green Button initiative? Do you
19 need an AMI for that, or --

20 **CHRIS EDGE [PEC]:** I've had that question two
21 or three times in the past week. It's funny, it's
22 come from a lot of different directions, that the
23 Green Button --

24 **COMMISSIONER FLEMING:** Good, the news is --
25 the word is out there, then.

1 **CHRIS EDGE [PEC]:** And admittedly, I was
2 searching Wikipedia for "green button."

3 **COMMISSIONER FLEMING:** Just go to DOE. It'll
4 tell you about it.

5 **CHRIS EDGE [PEC]:** Green Button is -- that's
6 correct. And for those of you who are not familiar
7 -- and help me, Commissioner Fleming, if I misspeak
8 here -- but Green Button is an Administrative/DOE-
9 sponsored program, and it is being adopted fairly
10 aggressively by those utilities who have made full-
11 scale investments in two-way automated meter
12 reading. And so predominantly, the California
13 utilities are really the ones that are sort of
14 stepping out.

15 The idea, as I understand it, is to make a
16 very convenient and easy, accessible method by
17 which consumers, and potentially application
18 developers, can access interval usage data for the
19 purposes of -- let the free market work at that
20 point. I'm going to say for the purposes of, and
21 then stop, because it's yet to be determined. But
22 my understanding is that they provide a concise,
23 uniform format, of which customers and potentially
24 programmers, or other third parties with the
25 consent of customer, can access customer usage

1 information, and then idealistically I think DOE's
2 vision is that, by that, it will spawn some
3 development within the marketplace for people to
4 develop new applications, new types of initiatives,
5 to which customers can take this information and
6 use it for the purposes of driving further --
7 understanding energy usage and potentially energy
8 savings.

9 That stated, we have not made any planned
10 intentions around this pilot to incorporate Green
11 Button into this pilot. That was a very specific
12 question I had to me earlier from a commission
13 staff north of this State. But there is no
14 intention at this point.

15 However, as Ms. Luhrs alluded to, there is --
16 the portal will incorporate the ability of these
17 participants to drive down -- down to a level of an
18 hourly level, to show what their consumption and
19 energy use would be. I'm not familiar that we're
20 planning to build in any type of capabilities with
21 which they could download that and spawn it off
22 into some other type of application. But as far as
23 the information, which I think is equivalent to
24 what Green Button is driving at, the information,
25 the granularity down to that interval data would be

1 very similar to Green Button, but for full sake of
2 clarity, we are not incorporating this and we are
3 not putting any checkmark next to DOE as far as
4 their Green Button initiative.

5 **COMMISSIONER FLEMING:** But it could be, I
6 mean, comparable as far as --

7 **CHRIS EDGE [PEC]:** Very --

8 **COMMISSIONER FLEMING:** -- beginning to --

9 **CHRIS EDGE [PEC]:** As I see it and as I
10 interpret Green Button and the intent of Green
11 Button, it would be very comparable, at least from
12 the perspective of the value to the customer.

13 **COMMISSIONER FLEMING:** Right. Okay, thank
14 you.

15 **CHAIRMAN HOWARD:** Commissioner Wright.

16 **VICE CHAIRMAN WRIGHT:** Thank you, Mr.
17 Chairman. Ms. Luhrs, go back to page ten, real
18 quick.

19 [Reference: PowerPoint Slide 10]

20 And this is the Web portal, right. Now, is
21 this an actual page, or is it a made-up page?

22 **CYNTHIA LUHRS [PEC]:** This is currently a test
23 page.

24 **VICE CHAIRMAN WRIGHT:** Okay.

25 **CYNTHIA LUHRS [PEC]:** It will look similarly,

1 with the structure, but the data is not valid at
2 this point.

3 **VICE CHAIRMAN WRIGHT:** Well, and I was going
4 to the days remaining versus the average daily
5 usage in dollars. Okay, that's cool. Thank you.

6 **CHAIRMAN HOWARD:** Commissioners? Commissioner
7 Hall.

8 **COMMISSIONER HALL:** Thank you, sir. Mr.
9 Cagle, this question is for you. And I'm sorry, I
10 meant to ask you while Mr. Anthony was still in the
11 room. Okay. For the waivers of the reg's that you
12 need waived, in the application you have -321, the
13 meter reading; -339, the customer billing; -340,
14 adjustment of bills; and -352, procedures for
15 termination. But you have a different set in the
16 PowerPoint presentation. You don't have -340, and
17 you mentioned -336 but you don't have -336 in the
18 application. So I'm curious to know what -- is
19 that a clerical error? Which regulations are you
20 seeking a waiver of?

21 **GREG CAGLE [PEC]:** Well, I think, Commissioner
22 Hall, the answer is, it's the ones that are in the
23 application.

24 **COMMISSIONER HALL:** Okay. So you --

25 **GREG CAGLE [PEC]:** We may not have all of them

1 on the page on the presentation.

2 COMMISSIONER HALL: Okay. But what about
3 -336?

4 GREG CAGLE [PEC]: Well, -336 --

5 COMMISSIONER HALL: Because -336 wasn't in
6 the application.

7 GREG CAGLE [PEC]: -336 is the Rule that deals
8 with deposit retention.

9 COMMISSIONER HALL: Uh-huh.

10 GREG CAGLE [PEC]: And we're at the
11 disadvantage, as you could see earlier, that we
12 don't have a copy of the actual filing with us,
13 unfortunately.

14 COMMISSIONER HALL: Okay.

15 GREG CAGLE [PEC]: So I can't really see that.

16 COMMISSIONER HALL: But no deposit will be
17 required, since this is a prepay --

18 GREG CAGLE [PEC]: Exactly.

19 COMMISSIONER HALL: -- so --

20 GREG CAGLE [PEC]: Exactly.

21 COMMISSIONER HALL: -- you will need a waiver
22 of that, as well.

23 GREG CAGLE [PEC]: Yes, ma'am.

24 COMMISSIONER HALL: Okay. So is it just a
25 clerical thing, or --

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GREG CAGLE [PEC]: Perhaps.

COMMISSIONER HALL: Perhaps? Okay. All right. So just for precision, you need -321, -339, -340, -352, and -336.

GREG CAGLE [PEC]: Yes, ma'am.

COMMISSIONER HALL: All right. Thank you, sir.

CHAIRMAN HOWARD: Commissioners?

[No response]

To the panel, I'd like to thank you all for an excellent presentation.

I suggest the way we handle the discrepancies in the -- is just to amend your application, if you would, and handle the discrepancies that Commissioner Hall pointed out and, I guess, Commissioner Fleming -- oh, Commissioner Hamilton. I'm sorry. Commissioner Hamilton.

GREG CAGLE [PEC]: Had the discrepancy in the two tables.

CHAIRMAN HOWARD: Right, the two tables, the numbers in the two tables, and the requests for waiver.

Mr. Nelson, does ORS have any questions?

MR. NELSON: Nothing. Thank you, Commissioner.

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CHAIRMAN HOWARD: Well, I appreciate you coming. Thank you again for your presentation, and good luck with it, and we will see you later. Meeting adjourned.

[WHEREUPON, at 11:50 a.m., the proceedings in the above-entitled matter were adjourned.]


C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an allowable ex parte briefing held in the above-captioned matter before the Public Service Commission of South Carolina.

Given under my hand, this the 22nd day of March, 2012.


Jo Elizabeth M. Wheat, CVR-CM-GNSC

ATTEST:


Jocelyn G. Boyd,
CHIEF CLERK/ADMINISTRATOR